

# CROWDFUNDING

## Navigating crowdfunding platforms: Who does what?

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So, you have weighed all the pros and cons of creating a crowdfunding campaign. (For more info, check out our previous blog, Crowdfunding 101 at [www.azarts.gov](http://www.azarts.gov).) Now you are ready to begin building your crowdfunding campaign. What's next? Knowing how to build a campaign is one thing, but knowing which crowdfunding platform best fits your needs is another.

Crowdfunding has gained massive popularity, and there are several campaign platforms options. In this article we will compare three popular crowdfunding campaigns currently being used by artists and arts nonprofit organizations: Kickstarter, IndieGoGo, and USA Projects.

As part of our research, we interviewed three Arizona artists/arts organizations who successfully completed a crowdfunding campaign using each of these platforms: folk rock band *decker*. from Sedona; arts organization The Loft Cinema from Tucson; and dance artist Carley Conder from Tempe.

Comparison "Cheat Sheet": Before we dig into the details, here is a comparison chart breaking down the three crowdfunding campaigns this article investigates:

	Kickstarter	IndieGoGo	USA Projects
Type of funding	All or Nothing	All or Nothing or Keep it All	All or Nothing
Campaign Eligibility Constraints	Must be a project in art, comics, dance, design, fashion, film, food, games, music, photography, publishing, technology, or theater	none	Projects must either lead to the creation of a new work or enhance/further artistic practice.
Platform Fee	5%	Goal Reached: 4% Goal Not Reached: 9%	0%
3 <sup>rd</sup> Party Fee	3-5% (Amazon Payments)	3% (PayPal, Major credit cards) 4% (FirstGiving)	0%
Total Fees	8-10%	7-13%	0%
Good platform if you are:	Group or individual already with a strong social network and strong fan/patron base.	Non-Profit Organization or Fiscally Sponsored through Fractured Atlas	Individual Artist interested in working with a mentor

### Kickstarter

Kickstarter is arguably one of the most popular and well-known crowdfunding platforms. Many notable crowdfunding campaigns have achieved great success through Kickstarter, like the campaign created by musician Amanda Palmer, who raised \$1.2 million to produce her solo album, an amount that far exceeded her original funding goal of \$100,000.

The highly publicized success of large campaigns and the simple design of the Kickstarter platform have made it a popular choice. Besides being popular, what else does Kickstarter provide? Let's break it down.

**Funding Model:** All campaigns are "all or nothing." This means that creators only receive the raised funds if they meet their goal. Once the goal is met, all funds are kept, even if the total amount raised exceeds the goal.

**Maximum Campaign Length:** Campaigns may not run longer than 60 days. Statistics have shown that the "sweet spot" for Kickstarter campaigns is 30 days. You can find this and other useful Kickstarter statistics on Jeanne Pi's blog on "The Untold Story Behind Kickstarter Stats" ([www.appsblogger.com/behind-kickstarter-crowdfunding-stats/](http://www.appsblogger.com/behind-kickstarter-crowdfunding-stats/)).

**Creator/Project Eligibility:** All creators must be either from the U.S. or U.K. and 18 years of age or older. Projects supported by Kickstarter must fit into one of the following categories: Art, Comics, Dance, Design, Fashion, Film, Food, Games, Music, Photography, Publishing, Technology, and Theater.

Kickstarter defines projects as something that will eventually be completed and will end in a product. Projects cannot be open-ended. For example, you cannot create a campaign to start a nonprofit organization. To learn more about Kickstarter's guidelines and for a list of what they do not fund, check out their guidelines webpage.

**Payment Processing/Processing Fees:** Kickstarter uses Amazon Payments as their third-party payments platform. If a campaign is successful, Kickstarter takes 5% from the total funds and Amazon Payments takes 3-5%. This means once a campaign is complete, creators receive only 90%-94% of the total funds raised, so set your fundraising goal accordingly.

**What *decker*. has to say about Kickstarter:** For Kickstarter we interviewed Brandon Decker, band member/songwriter/producer of local band *decker*. Since 2009, *decker*. has released four albums, the last of which was funded by a Kickstarter campaign.

The crowdfunded album *Slider* was the first of their albums not primarily paid out of pocket. "We heard about Kickstarter from several friends before it got too popular," Brandon says. Like many artists, Brandon was not aware of the other crowdfunding platforms available outside of Kickstarter.

When I asked how the band determined the funding goal of \$3,800, Brandon said, "We wanted to set a reasonable goal. We weren't looking to raise more than we needed."

Numerous times, Brandon emphasized the importance of respecting the band's fan base and being honest about who they are and what they were asking for. "If you're going to make a campaign, make sure you ask yourself,

donation – even if they receive rewards for donating.

Furthermore, IndieGoGo has partnered with popular fiscal sponsor Fractured Atlas. This means artists and arts organizations fiscally sponsored by Fractured Atlas can create an IndieGoGo campaign and Fractured Atlas will both manage the funds and send a tax-deductible receipt to all donors.

**Funding Model:** Creators can choose either the "All or Nothing" or the "Keep it All" funding model. The flexibility is nice, but beware. If you choose to keep it all and you do not meet your funding goal, there are steep financial penalties, which are outlined in "Payment Processing/Processing Fees" below.

### Maximum Campaign

**Length:** Like Kickstarter, campaigns are limited to a maximum of 60 days.

### Creator/Project

**Eligibility:** IndieGoGo only requires that campaign creators have a valid bank account and be at least 13 years of age. (Those under the age of 18 must have legal guardian consent/supervision.)

IndieGoGo supports campaigns from all over the world, save a short list of countries. There are also no project constraints. Projects can be anything from making a new artwork to paying bills, and

IndieGoGo leaves it up to the funders to determine whether or not a campaign is worth funding. There are a few content-related funding restrictions, which can be found on IndieGoGo's Terms of Use webpage.

**Payment Processing/Processing Fees:** The fees placed on campaigns supported by IndieGoGo vary greatly depending on two major factors: the chosen funding model; and the chosen payments platform.

IndieGoGo only takes 4% of the raised funds if projects meet the campaign goal, but creators who choose to keep funds and do not reach the funding goal must give up 9% of the raised funds to IndieGoGo.

There are a few payment platform options. All creators can choose to either use PayPal or have donors use a major credit card directly on the IndieGoGo website. Nonprofit organizations can (and should) use FirstGiving. Artists/organizations fiscally sponsored by Fractured Atlas can use Fractured Atlas as their payments platform. Let's break it down:

PayPal/Major Credit Card: 3% payment processing fee, and can be used by anyone making a campaign.

FirstGiving: 4% payment processing fee. FirstGiving sends donors a tax-deductible receipt and IndieGoGo places a badge on the campaign page certifying that funds will go to a verified nonprofit organization.

Fractured Atlas: 7% administrative fee administered by Fractured Atlas. Fractured Atlas sends tax-deductible receipt to donors and projects are not subject to IndieGoGo's terms or platform fees.

In summary, creators using IndieGoGo may be subject to fees ranging from 7%-13% depending on which funding model and payment platform they choose.

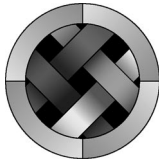
### What The Loft Cinema has to say about

**IndieGoGo:** The nonprofit Loft Cinema launched a successful IndieGoGo campaign in Fall 2012. We interviewed The Loft's business manager and crowdfunding campaign creator Zach Breneman to learn more about their campaign experience.

This campaign was The Loft's first, and when I asked why they chose IndieGoGo, Zach said, "We chose IndieGoGo specifically because the money was guaranteed." The Loft made a "Flexible Funding" campaign, which meant they could keep anything they made.

The goal was to fund the renovation of the new movie theater, and to do this they sold seats – literally. Campaign backers who donated \$300 or more received a seat in the new space forever named after them or anyone they chose.

Continued on next page



## Trends in Fundraising: Crowdfunding basics

Jessica Rajko also explores "Crowdfunding 101" at [www.azarts.gov](http://www.azarts.gov):

In the past five to six years, crowdfunding platforms such as Kickstarter, IndieGoGo, and United States Artists Projects have become increasingly popular. According to a 2012 survey conducted by Massolution, the amount of funds raised through crowdfunding platforms has increased by approximately 63% over the last three years.

As public and private funding for the arts remains strained, many artists and arts organizations are turning to crowdfunding as a source of financial support for idea, project, and product development.

This blog is the first in a series that covers the ins and outs of crowdfunding. See more at [www.azarts.gov](http://www.azarts.gov) (search for crowdfunding).